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McFarlane sees Casey as North's boss *Suspects CIA chief secretly gave orders*

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WASHINGTON — Lt. Col. Oliver L. North appears to have carried out his activities on behalf of the Nicaraguan contras under the secret direction of then-CIA Director William J. Casey, former national security adviser Robert C. McFarlane testified yesterday.

McFarlane said he realized in the fall of 1985 that North had a closer relationship with Casey than would be expected of a National Security Council staffer, a relationship McFarlane said "surprised me."

Sen. William S. Cohen (R., Maine) cited evidence that North was able to direct the activities of CIA field personnel as an indication that it was "rather clear that Oliver North was acting under the aegis of Director Casey." McFarlane has testified that he was unaware of many of North's support activities for the contras even though he was North's superior between 1983 and late 1985.

Asked if he believed that Casey was instructing North on how to conduct operations in Iran or Nicaragua, McFarlane replied, "Senator Cohen, I think so."

The question of who directed North is at the heart of investigators' attempts to determine who authorized the diversion of Iran arms sales profits to the contras, an operation apparently masterminded by North. However, there was no suggestion at yesterday's hearing that Casey gave the order either to divert the money or to set up the secret arms supply network run by Richard V. Secord.

In his third day of testimony before the congressional committees investigating the Iran-contra affair, McFarlane was alternately angry and apologetic, blaming the Reagan administration, Congress and himself for allowing the creation of a covert foreign policy that may have violated numerous laws.

In contrast to his subdued demeanor in previous appearances, McFarlane struck back at committee members who charged that he participated in a cover-up of the Iran arms deal and looked the other way when North told him there was going to be a "shredding party" to destroy evidence.

"You know, people don't volunteer to come in and work for the government for these wonderful wages and occasionally get shot at, and spend 30 years doing that, so that they can be ridiculed by someone who hasn't got the patience to study the facts," said McFarlane, an ex-Marine.

McFarlane's criticism of the administration's shortcomings in foreign policy was underscored by his testimony that the administration undertook the controversial mining of Nicaraguan harbors in late 1983 with almost no forethought or planning.

McFarlane said that President Reagan approved the operation without a thorough review by the CIA or the Joint Chiefs of Staff of its potentially damaging consequences. Disclosure of the mining, aimed at stemming the flow of Soviet weapons shipments to Nicaragua, contributed to a congressional prohibition against U.S. military aid to the contras for two years, beginning in October 1984.

"This was not one of the happiest episodes of decision-making," McFarlane said. He said Reagan had been "badly served" by his subordinates, including himself. The World Court later condemned the action as contrary to international law.

McFarlane also conceded that the administration probably violated the intent — if not the letter — of the congressional ban on aiding the contras. Though he did not implicate the President in any wrongdoing, McFarlane said Reagan had a "far more liberal interpretation" of what the ban permitted than he did. He was not asked to elaborate.

McFarlane testified that he himself ordered the NSC staff — including North — to work more closely with the contras after Congress barred military aid. He said he did so because there was "no one left" to help

but the NSC, since the law had "foreclosed" CIA or Pentagon involvement.

McFarlane said he was carrying out Reagan's wishes that the contras not be abandoned. But he said he repeatedly told his staff not to violate the congressional strictures, since he felt they applied to the NSC as well.

As North became an increasingly active advocate for the contras, McFarlane said he was "periodically concerned" that North would be tempted to raise money for the contras. North has been named as an unindicted co-conspirator in indictments charging conservative fund-raisers Carl "Spitz" Channell and Richard Miller with illegally soliciting tax-deductible contributions for the contras.

McFarlane said he may have mentioned his concerns about North's fund-raising "occasionally" to Reagan, but not in any way that would have suggested the law was being broken. He said he never told Reagan about the Iran arms sales diversion after North mentioned it to him in May 1986, as the two men were returning from a trip to Iran.

Under questioning by Rep. Edward P. Boland (D., Mass.), author of the two-year ban on aid to the contras, McFarlane came closer than has any present or former administration official to saying that the administration had violated it.

Asked if the diversion of Iran arms profits broke the law, McFarlane answered: "It could have."

Boland then turned to a 1985 memo North had written McFarlane about obtaining CIA and Pentagon intelligence about the location of Sandinista assault helicopters to pass on to the contras.

Asked if this broke the law, McFarlane answered: "Well, on its face, I would think if that information, in turn, were provided to the contras, it would."

Boland referred McFarlane to another North memo which outlined a plan to have retired Army Major Gen. John K. Singlaub solicit donations to the contras from two Asian governments identified in published reports as South Korea and Taiwan. The Tower commission reported that both governments ultimately contributed.

Asked if that would violate the law, McFarlane responded: "It would."